



# NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

## **C10/03/2017: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR 2017/18 TO 2019/2020**

### **1. PURPOSE**

The purpose of this item is for council to note:

- 1.1. Operating revenue framework to the amount of R 622,675 million.
- 1.2. Operating expenditure budget to the amount of R482, 388 million.
- 1.3. Capital expenditure budget to the amount of R321, 029 million.
- 1.4. Total revenue budget of R 930, 250 million.
- 1.5. New and existing capital projects on Table 16 to Table 20 of the budget document.
- 1.6. Grants and subsidies capital to the amount of R 307, 575 million.
- 1.7. The 2017/18 to 2019/20 Medium Term Revenue and Expenditure budget and accompanying annual budget schedules tables.
- 1.8. The budget-related policies accompanying the MTREF budget for 2017/18 to 2019/20.
- 1.9. Adopt the cost containment measures as suggested in the updated Municipal Finance Management Act 56 of 2003 circular 82.

### **2. LEGISLATIVE BACKGROUND**

In terms of Municipal Finance Management Act, No. 56 of 2003, Chapter 4, Section 24, approval of annual budget states that:

- 1) The municipality council must at 30 days before that start of the budget year consider approval of the annual budget.
- 2) An annual budget –
  - a) Must be approved before the start of the budget year,
  - b) Is approved by adoption of resolution approving the budget of the municipality,
  - c) Must be approval together with the resolution as may be necessary, and
  - d) The accounting officer of the municipality must submit the approval of annual budget to the National and Provincial Treasury.

### **3. EXECUTIVE SUMMARY**



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The development of the budget which is an exercise of allocating resources is a difficult exercise under normal circumstances, due to competing demands for limited resources. This exercise is even more difficult with regard to Ngaka Modiri Molema District Municipality, due to the dire financial situation it finds itself in. By the end of the current financial year (2017/18), the municipality will be having estimated financial obligations of R 293 million, which translates to a decrease of 4.83% or R76, 63 million as compared to R 370,132 million of 2016/17 financial year. This amount includes the current year outstanding creditors of R148 million and long outstanding debt of Sedibeng Water for an amount of R 144,505 million. In that view, this dilemma confirms that the municipality will continue operating under strain financial conditions.

Following that, we ensured that the budget process is a collective effort, where various departments were consulted and informed, and the budget allocations are based on principles that reflect the financial situation of the municipality. This is part of the budget reform measures that the municipality is initiating, to ensure that the process is in line with best practices. As results, we have ensured that the budget reflects the following:

- That capital budget figures talk to the infrastructure plans figures;
- That priority is given to core business areas of the municipality;
- That the budget provides for cost cutting/reduction measures;
- There will be no budget allocated to projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been Gazetted as required by the annual Division of Revenue Act; and
- A critical review was also undertaken of expenditures on non-core and 'nice to have' items.

National Treasury's MFMA Circular No. 78, 79, 85 and 86 other previous MFMA circulars were used to guide the compilation of the 2017/18 MTREF. As indicated above, the main challenges experienced during the compilation of the 2017/18 MTREF can be summarized as follows:

- Huge amount of outstanding amount of creditors for previous financial years;
- Non-compliance with conditional grants;
- Increasing demand of water due draught ;



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- The ongoing difficulties in global and local macro economy;
- Aging and poorly maintained water, roads and sanitation infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water due to tariff increases from Sedibeng Water, which is placing upward pressure on water supply service to rural residents of Ngaka Modiri Molema District Municipality;
- Salaries and wage increases for municipal staff that continue to exceed consumer inflation (average CPI for Feb 2015 – Jan 2016) + 1 per cent).
- As well as, the need to fill critical vacancies of Accounting Officer ; Chief Financial Officer and other Senior Managers reporting directly to the Accounting Officer (Corporate Resource Services , District Growth and Economic Development, District Infrastructure Development and Maintenance, Project Management Unit, Business Process Support and Chief Executive Audit).
- The declining of credit ratings and creditworthiness of the municipality with financial institutions.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

### 20. RECOMMENDATIONS

It is recommended that council adopt:

- 20.1 Operating revenue framework to the amount of R 622,675 million.
- 20.2 Operating expenditure budget to the amount of R 482, 388 million.
- 20.3 Capital expenditure budget to the amount of R 321,029 million.
- 20.4 Total revenue budget of R 930,250 million.
- 20.5 New and existing capital projects on Table 16 to Table 20 of the budget document.
- 20.6 Grants and subsidies capital budget to the amount of R 307,575 million.
- 20.7 The 2017/18 -2019/20 Medium Term Revenue and Expenditure budget and accompanying annual budget schedules tables.
- 20.8 Notes budget-related policies accompanying the MTREF budget for 2017/18 -2019/20
- 20.9 Adopts the cost-cutting and reduction measures as outlined in MFMA Circular No. 82
- 20.10 The accounting officer of the municipality must submit the approval of annual budget both electronic and hardcopy to the National and Provincial Treasury within ten working days after the approval.



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DATE OF MEETING	RESOLUTION	RESOLUTION NUMBER
30 <sup>TH</sup> MARCH 2017	<ul style="list-style-type: none"> <li>• Council noted the Operating revenue framework to the amount of R 622,675 million.</li> <li>• Council noted the Operating expenditure budget to the amount of R 482, 388 million.</li> <li>• Council noted the Capital expenditure budget to the amount of R 321,029 million.</li> <li>• Council noted the Total revenue budget of R 930,250 million.</li> <li>• Council noted the new and existing capital projects on Table 16 to Table 20 of the budget document.</li> <li>• Council noted the Grants and subsidies capital budget to the amount of R 307,575 million.</li> <li>• Council noted the 2017/18 -2019/20 Medium Term Revenue and Expenditure budget and accompanying annual budget schedules tables.</li> <li>• Council noted budget-related policies accompanying the MTREF budget for 2017/18 -2019/20</li> <li>• Council noted the cost-cutting and reduction measures as outlined in MFMA Circular No. 82</li> <li>• Council resolved that the accounting officer of the municipality must submit the approval of annual budget both electronic and hardcopy to the National</li> </ul>	C29/2017



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	and Provincial Treasury within ten working days after the approval.	
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**Y SECHOARO**  
**COUNCIL SPEAKER**

**S.M LESUPI**  
**ACTING MUNICIPAL MANAGER**